

Interstate Commerce Commission  
Washington, D. C.

Gentlemen:

Enclosed for recordation under the provisions of  
Section 20(c) of the Interstate Commerce Act, as amended, are  
the original and three counterparts of an Equipment Lease dated  
as of July 1, 1976.

A general description of the railroad rolling stock  
covered by the enclosed document is set forth in Schedule A  
attached to this letter and made a part hereof.

**6-189A034** The names and addresses of the parties are:

*Counterpart: CT. Karpale*  
NO. **JUL 7 1976** Lessor: Harold K. Criswell, Weldon J. Smith and  
Date \_\_\_\_\_ Robert F. Whitworth, Jr., as Trustees  
Fee \$ 50- under PP&L Trust No. 76-1  
c/o Matrix Leasing International, Inc.  
555 California Street, Suite 5190  
San Francisco, California 94104  
**ICC Washington, D. C.**

Lessee: Pennsylvania Power & Light Company  
Two North Ninth Street  
Allentown, Pennsylvania 18101

The undersigned is the Lessor mentioned in the  
enclosed document and has knowledge of the matters set forth  
therein.

Please return the original and one counterpart of  
the Equipment Lease to Robert P. Davis, Esq., Chapman and Cutler,  
111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00  
covering the required recording fee.

Very truly yours,

HAROLD K. CRISWELL, WELDON J. SMITH  
AND ROBERT F. WHITWORTH, JR.,  
as Trustees under PP&L Trust  
No. 76-1

By Harold K. Criswell  
Lessor as aforesaid

Enclosures

RECEIVED  
JUL 7 11 39 AM '76  
CERTIFICATION UNIT

MANUFACTURER:

BETHLEHEM STEEL CORPORATION

DESCRIPTION OF EQUIPMENT:

110 100-ton Open Top Triple Hopper Cars

ROAD OR CAR NUMBERS:

Lettered PPLX and numbered 226, 244,  
306, 544, 842 and 992 through 1096,  
both inclusive

PURCHASE PRICE PER ITEM  
OF EQUIPMENT:

\$30,747.70 per car

TOTAL PURCHASE PRICE OF  
EQUIPMENT:

\$3,382,247 for 110 cars

OUTSIDE DELIVERY DATE:

July 30, 1976

DELIVER TO:

Pennsylvania Power & Light Company

PLACE OF DELIVERY:

F.O.B. Johnstown, Pennsylvania

(PP&L Trust No. 76-1)

SCHEDULE A

# Interstate Commerce Commission

Washington, D.C. 20423

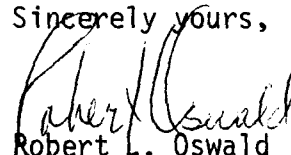
July 7, 1976

OFFICE OF THE SECRETARY

Dear Sir:

The enclosed document was recorded pursuant to the provisions of Section 20c of the Interstate Commerce Act, 49 U.S.C. 20c, on **7/07/76** at **11:45 a. m.**, and assigned recordation number **8401**

Sincerely yours,



Robert L. Oswald  
Secretary

Enclosure

SE-39  
(2/75)

SCHEDULE A

RECORDATION NO. 8401  
JUE  
INTERSTATE COMMERCE COMMISSION

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EQUIPMENT LEASE

Dated as of July 1, 1976

Between

HAROLD K. CRISWELL, WELDON J. SMITH  
and ROBERT F. WHITWORTH, JR.  
as Trustees under PP&L Trust No. 76-1

LESSOR

AND

PENNSYLVANIA POWER & LIGHT COMPANY

LESSEE

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#### Schedules to the Equipment Lease

- Schedule A - Description of Equipment
- Schedule B - Certificate of Acceptance
- Schedule C - Schedule of Casualty Value
- Schedule D - Schedule of Termination Value

## EQUIPMENT LEASE

PENNSYLVANIA POWER & LIGHT COMPANY  
(PP&L Trust No. 76-1)

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EQUIPMENT LEASE, dated as of July 1, 1976, between HAROLD K. CRISWELL, WELDON J. SMITH and ROBERT F. WHITWORTH, JR., not individually but solely as trustees (the "Lessor" or the "Trustees") under a Trust Agreement, dated as of July 1, 1976 (the "Trust Agreement") with The Bank of New York, a New York banking corporation, as trustor (the "Trustor"), and PENNSYLVANIA POWER & LIGHT COMPANY, a Pennsylvania corporation (the "Lessee").

### RECITALS:

A. The Lessee has heretofore entered into contractual arrangements for the purchase of certain railroad rolling stock (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A attached hereto and made a part hereof from the Manufacturer thereof identified in said Schedule (the "Manufacturer").

B. The Lessee desires to lease rather than own the Equipment at the rentals and upon the terms and conditions hereinafter provided.

C. In order to arrange for the acquisition by the Lessor of the Equipment, the Lessee has entered into a Purchase Order Assignment, dated as of July 1, 1976 (the "Purchase Order Assignment"), with the Lessor, providing for the assignment by the Lessee to the Lessor of its right to purchase the Equipment and take title to the same, which Purchase Order Assignment has been consented and agreed to by the Manufacturer.

D. The Lessor, pursuant to the authorization of the Trustor set forth in the Trust Agreement and in order to provide for payment of that portion of the Purchase Price (as hereinafter defined) of the Equipment which is in excess of the funds to be advanced by the Trustor to the Lessor under the Trust Agreement, is entering into separate Loan Agreements with Alexander Hamilton Life Insurance Company of America and The Minnesota Mutual Life Insurance Company (the "Investors"), providing for the loan to the Lessor of amounts aggregating not in excess of 75.4518% of the Purchase Price of the Equipment, which loan will be made to the Lessor on the Lease Commencement Date. Said loans will be secured by a Security Agreement-Trust Deed, dated as of July 1, 1976 (the "Security Agreement"), from the Lessor to First National Bank of Minneapolis,



as trustee (the "Security Trustee"), which will create a valid first lien on and security interest in the Equipment (subject to the right, title and interest of the Lessee under this Lease) and the rents and other sums due and to become due under this Lease.

THE LESSEE AND THE LESSOR HEREBY AGREE AS FOLLOWS:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Lease of Equipment. Upon the delivery to and acquisition by the Lessor of the Equipment from the Manufacturer, the Lessor agrees to lease and let the Equipment to the Lessee and the Lessee agrees to hire the Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. Upon tender of delivery of all of the Items of Equipment by the Manufacturer, the Lessee will inspect such Items of Equipment and if such Items of Equipment tendered for delivery appear to meet the specifications, the Lessee will accept delivery thereof and execute and deliver to such Manufacturer and the Lessor a Certificate of Acceptance, substantially in the form of Schedule B attached hereto and made a part hereof.

1.3. Certificate of Acceptance. The Lessee's execution and delivery to the Manufacturer and the Lessor of the Certificate of Acceptance with respect to all of the Items of Equipment shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's rights, if any, against the Manufacturer, each Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that each Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and all applicable United States Department of Transportation and the Interstate Commerce Commission requirements and specifications, if any. The Lessee represents that it has no knowledge of any such defect as of the date of such acceptance.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor for each Item of Equipment leased hereunder, forty (40) semiannual installments of Fixed Rental (the "Fixed Rental") payable in arrears, each in an amount equal to 4.57042% of the Purchase Price thereof, set forth in Schedule A hereto (the "Purchase Price") of such Item.

2.2. Rental Payment Dates. The installments of Fixed Rental for each Item of Equipment shall be due and payable semiannually in arrears from and after the date (the "Lease Commencement Date") on which the Lessee accepts all of the Items

of Equipment as above provided and on which the Lessor, concurrently with such acceptance, pays the Manufacturer the Purchase Price of the Equipment. The Lease Commencement Date shall be a date designated by the Lessee during the month of July, 1976, by not less than five days' prior written or telephonic notice, promptly confirmed in writing, furnished to the Lessor.

2.3. Place of Payment. The Lessor hereby irrevocably directs the Lessee to make all payments provided for in this Lease to be made to the Lessor in immediately available funds to the Security Trustee for the account of the Lessor at the principal office of the Security Trustee in Minneapolis, Minnesota, Attention: Corporate Trust Department, not later than 12:00 Noon, local time, at such office, on the date on which such payments are due and payable hereunder. The Lessee agrees to make each payment provided for herein to be made to the Lessor in the above-provided manner, and in the case of rental payments under this Section 2 and payments of Casualty Value or Termination Value under Section 11 hereof, the Lessee agrees that a written designation will accompany such payments identifying the same as Fixed Rental, Casualty Value or Termination Value payments hereunder, as the case may be. Payment of any additional amounts required by Section 6 or Section 10.2 hereof shall be made at said place only to the extent that such payments are not being made or have not been made by the Lessee directly and are instead being paid to the Lessor by way of reimbursement or to provide the Lessor with the funds necessary to make such payments.

2.4. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturer of the Equipment, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or theft or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the prohibition of or restriction on the Lessee's use of the Equipment, the interference with such use by any private person or corporation, any strike or other labor dispute, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is returned to the Lessor.

### SECTION 3. TERM OF THE LEASE.

The term of this Lease as to all of the Items of Equipment shall begin on the Lease Commencement Date and, subject to the provisions of this Section and Sections 11 and 21 hereof, shall terminate with respect to all of the Items of Equipment twenty years following the Lease Commencement Date.

### SECTION 4. TITLE TO AND MARKING OF THE EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment and it is understood that the Lessee shall acquire no right, title or interest to the Equipment except hereunder, notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee shall cause each Item of Equipment to be kept numbered with its road or car number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"PP&L Trust No. 76-1, Lessor;  
First National Bank of  
Minneapolis, Security Trustee"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of the Security Trustee. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road or car number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road or car numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

## SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN THE LESSOR AND THE LESSEE, THE LESSOR LEASES THE EQUIPMENT AS-IS, WITHOUT WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) INTERFERENCE BY ANY PARTY OTHER THAN THE LESSOR WITH THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof. So long as there is no Event of Default hereunder which is continuing, the Lessee shall be entitled to receive and retain for its own account all proceeds arising out of any such claim or right; following an Event of Default hereunder which is continuing, the Lessor shall be entitled to receive and retain for its own account all such proceeds.

## SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Trustor and the Security Trustee and their respective servants, agents, successors and assigns (collectively, the "Indemnitees") from and against:

(a) any and all loss or damage of or to the Equipment, ordinary wear and tear excepted; and

(b) any claim, cause of action, damages or liability, cost or expense (including reasonable counsel fees and costs in connection therewith) which may be incurred in any manner or by or for the account of any of them (i) relating to the Equipment or any part thereof, including, without limitation, the purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, marking, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

Anything in this Section 6 to the contrary notwithstanding, the Lessee shall in no case reimburse or become liable to any Indemnatee for or waive any claim arising in favor of the Lessee on

account of any losses, claims, liabilities and expenses arising out of the willful misconduct or gross negligence of such Indemnatee.

Notwithstanding anything contained in this Section 6 to the contrary, the Lessee shall not be liable to indemnify and save harmless the Lessor, the Trustor and the Security Trustee and their respective servants, agents, successors and assigns for any taxes of any kind whatsoever, except as expressly provided in Section 10.2 of this Lease, or except as expressly provided in the Indemnity Agreement, dated as of July 1, 1976, between the Trustor and the Lessee.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof occurring after the termination of this Lease, except for any such matters occurring before the return of the Equipment to the possession of the Lessor as provided in Section 13 or 15 hereof, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

## SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all rules and regulations of the American Railway Association and governmental laws, regulations, requirements and rules (including the rules of the Department of Transportation and the Interstate Commerce Commission) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense, and title thereto shall be vested in the Lessor, provided, that the Lessee may contest in good faith the validity or application of any such law or rule in any manner which does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder.

## SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall not permit or suffer the Equipment to be used in any manner other than the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear.

The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, operating condition and repair, ordinary wear and tear excepted, and suitable for use in interchange. The Lessee shall not, except as provided in Section 7 hereof, modify any Item of Equipment without written authority and approval of the Lessor which shall not be unreasonably withheld. Any equipment installed on or added to any Item of Equipment by the Lessee (except such as is required pursuant to Section 7 hereof) shall be owned by the Lessee and shall not be considered a part of the Equipment leased hereunder; provided, that the same must be readily removable without material damage to the Equipment and will not adversely affect the "fair market value" or the "fair rental value" or the original intended use of the Equipment as originally leased hereunder.

#### SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

If the Lessee shall fail to perform or observe any of the terms of this Section 9, the Lessor may, in its discretion, do all acts or make all expenditures necessary to remedy such failure, provided that the Lessor, though privileged so to do, shall be under no obligation to the Lessee to do any such act or make any such expenditure nor shall the making thereof relieve the Lessee of any default in that respect. The Lessee shall reimburse the Lessor for any amounts expended by the Lessor on behalf of the Lessee together with interest thereon at the rate of 9-7/8% per annum from the date of such expenditure to the date of reimbursement. Interest hereunder shall be computed on the basis of a 360-day year consisting of twelve consecutive 30-day months.

#### SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease and any security agreement and/or assignment, if any, executed by the Lessor with respect to the Equipment or the Lease to be duly filed, registered or recorded in conformity with Section 20(c) of the Interstate Commerce Act and in such other

places within or without the United States as the Lessor may reasonably request for the protection of its title or the security interest under any such security agreement and/or assignment and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or re-record wherever and whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or the secured party's security interest under any such security agreement in, the Equipment to the satisfaction of the Lessor's or such secured party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

10.2. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor and the Trustor for collection or other charges and will be free of expense to the Lessor and the Trustor with respect to the amount of any local, state, Federal or foreign taxes, assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or any security agreement and/or assignment, if any, executed by the Lessor with respect to the Equipment, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. Notwithstanding the foregoing, the Lessee shall not be obligated to pay, indemnify or save and hold harmless the Lessor from any Impositions (a) which are imposed by any Federal, state or local government or taxing authority in the United States on, or measured by, the net income, taxable income or items of tax preference, except as provided in the Indemnity Agreement, (b) which are imposed by any taxing authority or governmental subdivision of a foreign country and qualify as creditable for United States income tax purposes to the extent that such taxes are utilized by the Lessor as a credit against its United States income tax, (c) which are imposed by any Federal, state or local government or taxing authority in the United States on, or measured by, the gross income or gross receipts of the Lessor and are in lieu of a tax on, or measured by, net income or taxable income, except as provided in the Indemnity Agreement, (d) which are imposed on the voluntary sale, transfer or other disposition, except (i) during the continuance of an Event of Default hereunder, of any interest in the Trust, Trust Estate (the Secured Notes) or the Equipment, and (ii) any voluntary sale of the Trustor's beneficial interest in the Trust Estate to the Lessee, or (e) which is a franchise tax imposed by any state (other than a state in which any Item of Equipment is located, but only to the extent of the amount of such franchise tax arising out of the transaction contemplated in this Lease) on the Lessor for the privilege of exercising its franchise or the doing of business in such State. The Lessee will also pay promptly all Impositions (including sales

or use taxes, if any, on the initial purchase of the Equipment) which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder. If any Impositions shall have been charged or levied against the Lessor or the Trustor directly and paid by the Lessor or the Trustor, the Lessee shall reimburse the Lessor or the Trustor on presentation of invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interest of the Lessor in such Items of Equipment or notify the Lessor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

#### SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE OR EARLY TERMINATION; INSURANCE.

11.1. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed or, in the reasonable opinion of the Lessee, irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms is (i) for an indefinite period unless the same shall, at the end of the term of this Lease, in fact exceed such term, or (ii) for a stated period which does not exceed the remaining term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

11.2. Payment for Casualty Occurrence. When the aggregate Casualty Value (as herein defined) of the Items of Equipment which



have suffered a Casualty Occurrence (exclusive of Items of Equipment having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$10,000, the Lessee shall on a Fixed Rental Payment Date within 240 days after a Casualty Occurrence, pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment; provided, that, notwithstanding the foregoing, the Lessee shall on the last rental payment date of each calendar year pay to the Lessor a sum equal to the Casualty Value of any Item or Items of Equipment which have suffered a Casualty Occurrence during such calendar year or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 11.2. Whenever any Item of Equipment shall suffer a Casualty Occurrence at the end of the term of this Lease and before such Item shall have been returned in the manner provided in Section 13 hereof, the Lessee shall pay to the Lessor a sum equal to 20% of the Purchase Price of such Item of Equipment.

11.3. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, and the rental installments due on and prior to such payment date, this Lease with respect to such Item or Items of Equipment and the obligation to pay rental therefor shall terminate, but this Lease and the Lessee's obligation to pay rental shall continue for all other Items of Equipment.

11.4. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "AS-IS", "WHERE-IS" basis without representation or warranty, expressed or implied. As to each separate Item of Equipment so disposed of, the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.5. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the original cost to the Lessor of such Item of Equipment as set forth in the Schedule of Casualty Value attached hereto as Schedule C.

11.6. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage

thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.7. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the remaining term of this Lease, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. So long as there is not an Event of Default hereunder which is continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by, the Lessor as its sole property. Following an Event of Default hereunder which is continuing, the Lessor shall be entitled to receive and retain for its own account all such sums.

11.8. Early Termination. Unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall be entitled, at its option, upon at least six months' prior written notice to the Lessor, the Trustor and the Security Trustee, to terminate this Lease as of the due date of the 20th installment of Fixed Rental hereunder or on the due date of any installment of Fixed Rental payable thereafter (the "Termination Date") if the Lessee shall have made a good faith determination that all (but not less than all) of the Items of Equipment then subject to this Lease have become obsolete or economically unserviceable so as no longer to be useful in the conduct of the Lessee's business, which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors or Committee thereof of the Lessee making such determination and a written statement of the President or a Vice President of the Lessee setting forth a summary of the basis for such determination. Such termination shall not take effect unless the Lessee shall have fully complied with the succeeding paragraphs of this Section 11.8. For the purposes of this Section 11.8, interest rates payable by the Lessee on its indebtedness for borrowed money or finance charges payable by the Lessee in connection with the acquisition of its equipment under conditional sale contracts, leases or other arrangements for deferred payment shall be disregarded in the determination of economic unserviceability.

During the period from the giving of such notice to the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of all the Items of Equipment on an "as-is", "where-is" basis, and the Lessee shall certify to the Lessor in writing the amount of each bid received and the name and address of the person (who, without the consent of the

Lessor and the Security Trustee, shall not be the Lessee or any person, firm or corporation affiliated with the Lessee) submitting such bid. An "affiliate" of the Lessee shall mean any person who possesses, directly or indirectly, the right to vote at least 20% of the voting securities of the Lessee, and any person who, directly or indirectly, controls or is controlled by or is under common control with, the Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, the Lessor shall, without recourse or warranty, sell the Items of Equipment for cash to whomsoever shall have submitted the highest bid therefor prior to the Termination Date, and thereupon the Lessee shall cause to be delivered the Items of Equipment to the Lessor in accordance with the terms of Section 13 hereof. If the sale of all the Items of Equipment shall not occur by the Termination Date, the Lessee shall not cause such delivery of the Items of Equipment to the Lessor, and this Lease shall continue in full force and effect. The Lessor and the Trustor shall be under no duty to (but may) solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 11.8.

The total sale price realized at any such sale of the Items of Equipment shall be retained by the Lessor and, in addition, the Lessee shall pay to the Lessor the excess, if any, of (i) the Termination Value of the Items of Equipment, which shall be the percentage of the Purchase Price of the Items of Equipment set forth in Schedule D hereto opposite the Rental Payment Date number which corresponds to the Termination Date, over (ii) the proceeds of such sale less all expenses incurred by the Lessor in connection with such sale or with the collection or distribution of such payment. The Lessee shall also be obligated to pay the Lessor on the Termination Date any and all rentals and other sums due hereunder with respect to the Items of Equipment accrued up to and including the Termination Date. In the event of such sale and compliance by the Lessee with all the provisions of this Section 11.8, the obligation of the Lessee to pay rental hereunder on all rental payment dates commencing after the Termination Date shall terminate.

11.9. Insurance. The Lessee will, at all times throughout the term of this Lease and during any renewal term or storage period, at its own expense, cause to be carried and maintained a program of insurance in respect of the Items of Equipment at the time subject to this Lease for Casualty Occurrences with insurers of recognized responsibility or through self-insurance or risk assumption, in amounts and against risks customarily insured against by utility companies on similar equipment, all as the Lessee may in good faith reasonably determine and in any event in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by it, it being the right and intention of the Lessee to maintain programs of self-insurance or risk assumption with respect to Casualty Occurrences in accordance with industry practice.

The Lessee will, at all times throughout the term of this Lease and during any renewal term or storage period, at its own expense, cause to be carried and maintained liability insurance under blanket policies with nationally recognized insurance carriers, which policies will cover the Items of Equipment as well as the other properties owned or leased by the Lessee. Said policies may have deductible provisions in such amounts as the Lessee shall from time to time determine, it being the right and intention of the Lessee to maintain self-insurance or risk assumptions with respect to liability exposure to some degree; provided, that the Lessee will, upon the written request of the Lessor, the Trustor, the Security Trustee or the Investors, not more than one time during any one-year period provide to all said parties a certificate of one of its Vice Presidents to the effect that programs of casualty and policies of liability insurance are then maintained by the Lessee in amounts customary for utilities conducting business such as that conducted by the Lessee and which certificate shall describe in reasonable detail the liability insurance coverage then in effect. Neither the Lessor, the Trustor, the Security Trustee nor the Investors will be named as co-insured under any such policies and the proceeds thereunder shall be paid to the Lessee. In the event the Lessee shall fail to obtain and/or maintain insurance in accordance with the provisions of this paragraph, the Lessor shall have the right to declare this Lease in default and to exercise its remedies under default and/or to obtain such liability insurance with respect to the Equipment as the Lessor deems necessary and the Lessee shall be obligated to reimburse the Lessor on demand for the payment by the Lessor of all premiums therefor with interest at the rate of 9-7/8% per annum.

## SECTION 12. ANNUAL REPORTS.

12.1. Duty of the Lessee to Furnish. On or before April 1 in each year, commencing with the year 1977, the Lessee will furnish to the Lessor, the Trustor, the Security Trustee and the Investors an accurate statement, as of the end of the preceding calendar year (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during such calendar year (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as any such party may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4 hereof shall have been preserved or replaced.

12.2. Inspection Rights. The Lessor, the Trustor, the Security Trustee and each Investor shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to any such party or its assigns the existence and proper maintenance thereof during the continuance of this Lease.

### SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, subject to the Lessee's rights under Section 20 hereof, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks within 100 miles of Allentown, Pennsylvania, as the Lessor may designate, or in the absence of such designation, as the Lessee may select. The Lessee will provide storage of such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90-day period to any connecting carrier for shipment, all as directed by the Lessor upon not less than thirty (30) days written notice to the Lessee. All movement and storage of each Item of Equipment is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor, the Trustor or any person designated by either such party, including the authorized representative or representatives of any prospective purchaser of any Item of Equipment, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. All amounts earned in respect of the Items of Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored, as hereinabove provided, within 30 days after such termination, the Lessee shall, in addition, pay to the Lessor (i) for each day after the date of such termination to and including the sixtieth (60th) day an amount equal to the amount, if any, by which .025391% of the Purchase Price of such Item of Equipment for each such day exceeds the actual earnings received by the Lessor on such Item of Equipment for each such day, and (ii) for each day after the sixty-first day following such termination an amount equal to the amount, if any, by which .0380865% of the Purchase Price of such Item of Equipment for each such day exceeds the actual earnings received by the Lessor on such Item of Equipment for each such day.

### SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

- (a) Default shall be made in the payment of any installment of Fixed Rental or of any Casualty

Value or Termination Value and such default shall continue for ten days; or

(b) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(c) Any representation or warranty made by the Lessee herein or in any statement or certificate furnished to the Lessor, the Trustor, the Security Trustee or any Investor proves untrue in any material respect as of the date of issuance or making thereof and shall not be made good within 30 days after notice thereof to the Lessee by the Lessor; or

(d) The Lessee becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they may mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for the Lessee or for the major part of its property, or the Lessee shall make any voluntary assignment or transfer of the Lessee's interest as the Lessee hereunder in a manner or to a person not permitted by the terms hereof; or

(e) A trustee or receiver is appointed for the Lessee, or for the major part of its property and is not discharged within 90 days after such appointment; or

(f) Bankruptcy, reorganization, arrangements, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Lessee, and if instituted against the Lessee are allowed against the Lessee or are consented to or are not dismissed within 90 days after such institution.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee

shall remain liable as hereinafter provided, and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located, without judicial process if this can be done without breach of the peace, and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatsoever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rental payments due hereunder, and agrees to make the rental payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not

constitute a waiver of any such rights upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith assemble and place such Equipment upon such storage tracks within 100 miles of Allentown, Pennsylvania, as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment upon such storage tracks determined pursuant to clause (a) above without charge to the Lessor until such Equipment has been sold, leased or otherwise disposed of by the Lessor; and

(c) Transport any Items of Equipment from such place of storage to any place on the lines of a railroad within a 100-mile radius of such place of storage, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to assemble, deliver, store and transport the Equipment. All amounts earned in respect of the Items of Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored, as hereinabove provided, within 30 days after such termination, the Lessee shall, in addition, pay to the Lessor (i) for each day after the date of such termination to and including the sixtieth (60th) day an amount equal to the amount, if any, by which .025391% of the Purchase Price of such Item of Equipment for each such day exceeds the actual earnings received by the Lessor on such Item of Equipment for each such day, and (ii) for each day after the sixty-first day following such termination an amount equal to the amount, if any, by which .0380865% of the Purchase Price of such Item of Equipment for each such day exceeds the actual earnings received by the Lessor on such Item of Equipment for each such day.



15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Equipment to the Lessor, to demand and take possession of such Item of Equipment in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item of Equipment.

## SECTION 16. ASSIGNMENTS BY LESSOR.

16.1. Permitted Assignments. The Lessor has assigned this Lease and the rents and other sums at any time due and to become due or at any time owing or payable by the Lessee to the Lessor under any of the provisions of this Lease to the Security Trustee, and the Lessee hereby consents and agrees to such assignment and agrees to make payments as provided in Section 2.3 hereof.

16.2. Rights of Security Trustee. The Security Trustee shall not be obligated to perform any duty, covenant or condition required to be performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof acknowledges and agrees that notwithstanding any such assignment each and all such covenants, agreements, representations and warranties of the Lessor shall survive such assignment and shall be and remain the sole liability of the Lessor and of every person, firm or corporation succeeding (by merger, consolidation, purchase of assets or otherwise) to all or substantially all of the business assets or goodwill of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Security Trustee in and to the rents and other sums payable by the Lessee under any provisions of this Lease shall be absolute and unconditional and shall not be subject to any abatement whatsoever, or to any defense, setoff, counterclaim or recoupment whatsoever by reason of any damage to or loss or destruction of the Equipment (except as otherwise provided in Section 11 hereof) or by reason of any defect in or failure of title of the Lessor to the Equipment or any interruption from whatsoever cause (other than from the wrongful act of the Security Trustee) in the use, operation or possession of the Equipment or by reason of any indebtedness or liability howsoever and whenever arising of the Lessor to the Lessee or to any other person, firm, corporation or governmental agency or taxing authority or for any other reason, and (ii) the Security Trustee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Security Trustee) which by the terms of this Lease or by applicable law are permitted or provided to be exercised by the Lessor.

16.3. Security Interest Subject to Lease. It is further understood and agreed that the security interest in the Equipment granted to the Security Trustee as additional security for indebted-

ness of the Lessor pursuant to the Security Agreement is subject to the right, title and interest of the Lessee under this Lease in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession, use and quiet enjoyment of the Equipment in accordance with the terms of this Lease (including delivery of the same to repair or testing facilities or railroad companies or other carriers for movement thereof in accordance with instructions of the Lessee) but without the prior written consent of the Lessor which will not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Equipment.

17.2. Use and Possession by Lessee, Interchange, "Mileage". The Lessee agrees that the Equipment will be used in unit train service within the continental United States. The Lessee agrees that it will not, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, assign this Lease or any of its rights hereunder or sublease any Item of Equipment; provided, however, that nothing contained in this Lease shall be deemed to prevent the assignment or sublease of any Item of Equipment to a subsidiary or an affiliate of the Lessee. No such assignment, sublease or permitted use shall relieve the Lessee of any of the obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a surety. The Lessee may receive and retain for its own account such compensation for subletting the Equipment and/or for the use of the Equipment by others as the Lessee may determine. Without limiting the provisions of the foregoing, it is contemplated that the Lessee shall receive insofar as applicable law and regulations allow all mileage allowance rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of use of the Items of Equipment and if for any reason the Lessor shall receive any Mileage then (unless an Event of Default shall have occurred and be continuing in which event such Mileage or portion thereof shall be retained by the Lessor until such Event of Default shall no longer be continuing), the Lessor shall remit such Mileage to the Lessee promptly after the Lessee shall furnish to the Lessor, at the Lessee's expense, either (i) a ruling of the Interstate Commerce Commission to the effect that the remittance thereof to the Lessee will not constitute a rebate within the meaning of 49 U.S.C. Section 41, as amended, or (ii) an opinion of counsel to such effect.

17.3. Merger or Consolidation. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which

the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

On or prior to the payment by the Lessor of the Purchase Price of the Equipment, the Lessee will deliver to the Lessor eight counterparts of the written opinion of Edward M. Nagel, Esq., general counsel for the Lessee, addressed to the Lessor, the Trustor, the Security Trustee and each Investor, in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation duly incorporated and validly existing, in good standing, under the laws of the Commonwealth of Pennsylvania;

(b) The Lessee has full right, power and authority and is duly authorized to conduct the business in which it is now engaged and to execute and perform this Lease and the Purchase Order Assignment, and is duly licensed or qualified as a foreign corporation in all states and jurisdictions wherein the nature of the business transacted by the Lessee or the nature of the property owned or leased by it makes such licensing or qualification necessary;

(c) This Lease and the Purchase Order Assignment have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their respective terms;

(d) This Lease has been filed and recorded with the Interstate Commerce Commission pursuant to Section 20(c) of the Interstate Commerce Act and no filing or recording in any other public office is necessary to protect the Lessor's title to the Equipment in the United States of America;

(e) No approval, consent or withholding of objection is required from the Pennsylvania Public Utility Commission or any other public regulatory body with respect to the entering into or performance by the Lessee of the Purchase Order Assignment or this Lease;

(f) The execution and delivery by the Lessee of the Purchase Order Assignment and this Lease do not violate any provisions of any law, any order of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement or other instrument to which the Lessee is a party or by which it, or any of its property is bound, and will not

be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee, except upon the leasehold estate of the Lessee hereunder; and

(g) As to any other matters which the Lessor, the Trustor, the Security Trustee or any Investor shall reasonably request.

In rendering such opinion, said general counsel may state that the enforceability of the rights and remedies provided in any agreement or instrument against any particular party are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar law of general application relating to or affecting the enforcement of creditors' rights from time to time in effect, and that general equitable principles may limit the availability of the remedy of specific performance or injunctive relief or of any other equitable remedy.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY THE LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of the rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 9-7/8% (or the maximum rate allowed by law, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. RIGHT OF FIRST REFUSAL.

Unless an Event of Default shall have occurred and be continuing at the end of the term of this Lease, the Lessor shall not, at or following the end of the term of this Lease, sell all or any portion of the Equipment (including any sale prior to the end of the term hereof for delivery of the Equipment or any portion thereof at or following the end of such term) unless:

(a) The Lessor shall have received from a reasonable purchaser a bona fide offer in writing to purchase all of the Items of Equipment;

(b) The Lessor shall have given the Lessee notice (i) setting forth in detail the identity of such proposed purchaser, the proposed purchase price, the proposed date of purchase and all other materials, terms and conditions of such purchase,

including, without limitation, any arrangements for the financing of such purchase known to the Lessor, and (ii) offering to sell all of the Items of Equipment to the Lessee upon the same terms and conditions as those set forth in such notice; and

(c) The Lessee shall not have notified the Lessor, within 20 days following receipt of such notice, of its election to purchase all of the Items of Equipment upon such terms and conditions.

If the Lessee shall not have so elected to purchase all of the Items of Equipment, the Lessor may at any time sell said Equipment at a price and upon other terms and conditions no less favorable to the Lessor than those specified in such notice, and following the failure of the Lessee to give such notice and elect to exercise its rights under this Section, no further rights under this Section shall be in effect for the benefit of the Lessee.

#### SECTION 21. RENEWAL OPTIONS.

Unless an Event of Default shall have occurred and be continuing, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for one or more (but no more than four) additional renewal terms (the "Renewal Terms") of five years each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided, that the semiannual Fixed Rental payable for and during any such Renewal Term shall be an amount equal to the Fair Rental Value (as herein-after defined) of such Items of Equipment. Each Renewal Term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to the commencement of any Renewal Term provided for in this Section 21; and

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 60 days prior to the date of commencement of the Renewal Term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified

independent Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

Unless the Lessee has elected to renew this Lease in respect of the Items of Equipment then leased hereunder as provided in this Section 21, or exercises its right under Section 20 hereof and purchases such Equipment, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current Renewal Term, as the case may be, in accordance with Section 13 hereof.

## SECTION 22. MISCELLANEOUS.

22.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: Trustees under PP&L Trust No. 76-1  
c/o Matrix Leasing International, Inc.  
Bank of America Center  
San Francisco, California 94104

(With a copy to the Trustor)

If to the Lessee: Pennsylvania Power & Light Company  
Two North Ninth Street  
Allentown, Pennsylvania 18101

Attention: Treasurer

If to the Trustor: The Bank of New York  
48 Wall Street  
New York, New York 10015

Attention: Mr. Deno D. Papageorge  
Deputy Comptroller

If to the Security Trustee: First National Bank of Minneapolis  
P. O. Box A-700  
Minneapolis, Minnesota 55480

Attention: Corporate Trust Department

(With copies to each Investor [at the address set forth opposite their names in Schedule I to the Loan Agreements] so long as such Investor shall be the holder of any indebtedness secured by the Security Agreement)

or addressed to any of the parties at such other address as such party shall hereafter furnish to the other parties in writing.

22.2. Execution in Counterparts. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterpart shall constitute but one and the same instrument.

22.3. Law Governing. This Lease shall be construed in accordance with the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

22.4. Limitations of Liability. It is expressly understood and agreed by and between the Lessor, the Trustor and the Lessee and their respective successors and assigns, that this Lease is executed by the Trustees, not individually or personally but solely as Trustees under the Trust Agreement in the exercise of the power and authority conferred and vested in them as such Trustees; and it is expressly understood and agreed that, except in the case of gross negligence or willful misconduct of the Lessor or the Trustor, nothing herein contained shall be construed as creating any liability on the Trustees or the Trustor, individually or personally, to perform any covenant, either express or implied, contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee; and that so far as the Trustees or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease.

22.5. Representation as to Original Use. The Lessee represents and warrants that each Item of Equipment will be new and unused immediately prior to its delivery to the Lessor and the original use of each Item of Equipment within the meaning of Sections 1.48-2(b)(7) and 1.167(c)(a)(2) of the Income Tax Regulations shall not have commenced prior to the delivery of such Item of Equipment to the Lessor.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers and representatives thereunder duly authorized as of the day and year first above written.

HAROLD K. CRISWELL, WELDON J. SMITH  
and ROBERT F. WHITWORTH, JR., as  
Trustees under PP&L Trust No. 76-1

*Robert F. Whitworth Jr.*  
*Weldon J. Smith*  
By *Harold K. Criswell*  
Trustee

LESSOR

[SEAL]

PENNSYLVANIA POWER & LIGHT COMPANY

ATTEST:

By *R R Fortune*  
Executive Vice President - Financial

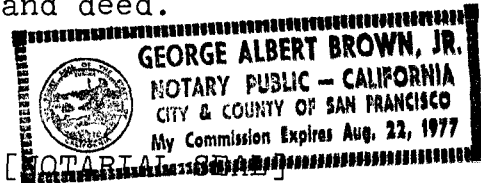
*Helen J. Walfer*  
Asst. Secretary

LESSEE



STATE OF CALIFORNIA                    )  
  ) SS  
COUNTY OF SAN FRANCISCO            )

On this first day of July, 1976, before me personally appeared the foregoing individuals, to me known to be one of the persons described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.



George Albert Brown, Jr.  
Notary Public

My commission expires:

COMMONWEALTH OF PENNSYLVANIA    )  
  ) SS  
COUNTY OF LEHIGH                    )

On this 6<sup>th</sup> day of July, 1976, before me personally appeared R. R. Fortune, to me personally known, who being by me duly sworn, says that he is a Vice President of PENNSYLVANIA POWER & LIGHT COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Valeria M. Cavallucci  
Notary Public

My commission expires:

VALERIA M. CAVALLUCCI  
Notary Public  
Allentown, Lehigh County, Pennsylvania  
My Commission Expires Nov. 25, 1979

<u>MANUFACTURER:</u>	BETHLEHEM STEEL CORPORATION
<u>DESCRIPTION OF EQUIPMENT:</u>	110 100-ton Open Top Triple Hopper Cars
<u>ROAD OR CAR NUMBERS:</u>	Lettered PPLX and numbered 226, 244, 306, 544, 842 and 992 through 1096, both inclusive
<u>PURCHASE PRICE PER ITEM OF EQUIPMENT:</u>	\$30,747.70 per car
<u>TOTAL PURCHASE PRICE OF EQUIPMENT:</u>	\$3,382,247 for 110 cars
<u>OUTSIDE DELIVERY DATE:</u>	July 30, 1976
<u>DELIVER TO:</u>	Pennsylvania Power & Light Company
<u>PLACE OF DELIVERY:</u>	F.O.B. Johnstown, Pennsylvania

(PP&L Trust No. 76-1)

CERTIFICATE OF ACCEPTANCE

TO: HAROLD K. CRISWELL, WELDON J. SMITH and ROBERT F. WHITWORTH, JR.,  
as Trustees under PP&L Trust No. 76-1 (the "Lessor")

BETHLEHEM STEEL CORPORATION (the "Manufacturer")

I, a duly appointed inspector and authorized representative of Pennsylvania Power & Light Company (the "Lessee"), for the purpose of the Purchase Order Assignment and the Equipment Lease, both dated as of July 1, 1976, between the Trustees under PP&L Trust No. 76-1, as Lessor, and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of the Lessee and under said Agreement, of the 110 Items of Equipment described in Schedule A to said Equipment Lease.

PLACE ACCEPTED:

DATE ACCEPTED:

I do further certify that each of said 110 Items of Equipment is in good order and condition, and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, and that each such Item has been marked in accordance with Section 4.2 of the Equipment Lease as follows:

"PP&L Trust No. 76-1, Lessor;  
First National Bank of  
Minneapolis, Security Trustee"

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

DATED: July , 1976

(PP&L Trust No. 76-1)

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Inspector and Authorized  
Representative of Lessee

SCHEDULE B  
(to Equipment Lease)

SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of the Purchase Price of an Item of Equipment is to be paid on a Fixed Rental payment date pursuant to Section 11 of the Equipment Lease as the result of an Item becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid.

<u>Rental Payment Date No.</u>	<u>Casualty Value Payable Per Item</u>
1	106.0816
2	107.7269
3	108.9203
4	109.7465
5	110.1574
6	110.2235
7	109.9007
8	109.2515
9	108.2428
10	106.9290
11	105.3529
12	103.6435
13	101.8019
14	99.8342
15	97.7408
16	95.5299
17	93.2055
18	90.7726
19	88.2386
20	85.6054
21	82.8838
22	80.0724
23	77.1855
24	74.2185
25	71.1894
26	68.0874
27	64.9807
28	61.8070
29	58.6021
30	55.3328
31	52.0321
32	48.6660
33	45.2682
34	41.8040
35	38.3081
36	34.7450

(PP&L Trust No. 76-1)

SCHEDULE OF CASUALTY VALUE

(Continued)

<u>Rental Payment</u> <u>Date No.</u>	<u>Casualty Value</u> <u>Payable Per Item</u>
37	31.1501
38	27.4875
39	23.7930
40 and thereafter during the storage period	20.0000

SCHEDULE OF TERMINATION VALUE

TERMINATION VALUE: The following per cent of the Purchase Price of an Item of Equipment is to be paid on a Fixed Rental payment date on or after the 20th such payment date pursuant to Section 11 of the Equipment Lease as the result of an Item becoming the subject of an early termination pursuant to Section 11.8, depending upon when the Termination Value is paid.

<u>Rental Payment</u> <u>Date No.</u>	<u>Termination Value</u> <u>Payable Per Item</u>
20	79.6363
21	76.6332
22	73.5271
23	70.3316
24	67.0415
25	63.6739
26	60.2176
27	56.7398
28	53.1775
29	49.5658
30	45.8705
31	42.1236
32	38.2902
33	34.4032
34	30.4268
35	26.3944
36	22.2696
37	18.0865
38	13.8079
39	9.4684
40	0.

(PP&L Trust No. 76-1)